

# OREGON BANKS OPERATE NICHE DIVISIONS TO BOOST THEIR BOTTOM LINES

By Tom Unger, ABC, APR, Fellow PRSA

Oregon community banks have created niche departments – and new revenue streams – that helps boost their bottom lines.

In this article, three executives explain how their banks are running these subsidiaries and divisions and offer advice on how others could create one of their own.

## Keep On Truckin'



People's Bank of Commerce in Medford bought Steelhead Finance (which also does business as Steelhead Factoring) in 2017. Owner **Bill Stewart** remained with the team and serves as the division president.

Steelhead Finance specializes in providing factoring lines to the trucking industry, where it sees continued opportunity for growth.

"We'll advance 97% of the value of the [client's] invoice," said Stewart. "We then bill it out and collect it for them. We take our fee and rebate them the difference. We provide quite a plethora of services to go along with that."

The factoring rates vary between 1 - 3%, depending on the customer's sales volume and invoice size. The division operates an online portal with 24-hour reporting and a rating service for truckers who want to verify their clients' credit. It also provides fuel advances and fuel cards.

"These are high yield products," said Stewart. "The bank's strategy was to diversify and try to recession-proof by finding new products, so everything doesn't go south at the same time."

A trucker's average invoice is \$2,000. Steelhead Finance provides funding in one to two days.

"It's technically not a loan. It's a factoring line. The lines range from \$5,000 to \$3 million a month," said Stewart.

In 2021, the Steelhead Finance team factored \$250 million (its most ever) for more than 500 clients across the nation.

The division has expanded to 40 employees in the past two years. Stewart expects to hire even more as the business grows.

"We've been able to scale up as the industry expands," he said.

## In the Driver's Seat



Summit Bank in Eugene started an Equipment Finance Group in 2012 that finances the purchase of large trucks and trailers.

"We can approve and fund in 24 to 48 hours," said Summit Bank President and

CEO **Craig Wanichek**.

Most of the equipment its clients buy is used and costs under \$50,000. The loans are structured like a lease.

"There is a smaller down payment. The loan terms are typically 48 months. At the end, the client owns the equipment free and clear," Wanichek explained.

The division has provided more than 5,000 loans since 2012.

"We've really stayed in our lane. We haven't tried to add products or combine with other bank products," said Wanichek. "That enables us to have a very streamlined process. We're very good at it. It's been a key component to our earnings and growth."

The division works with brokers who, in turn, work with truck dealers in 20 states to find financing for buyers.

Many other banks shy away from financing used equipment because the collateral is generally not as valuable, said Wanichek.

The division has more than 10 employees. It has its own P&L but relies on corporate for HR, accounting and funding. The bank's normal credit channels review the loans.

The national market for truck purchasing has remained strong. More consumers during the pandemic have ordered goods online, which were delivered by truck.

"It's grown throughout the years. We continue to see it grow and we're investing in the infrastructure," said Wanichek.



## Home On the Range



More than 15 years ago, Willamette Valley Bank in Salem started focusing on expanding its home mortgage loan business. It has found huge success by offering a full range of loans.

“We do a lot more mortgage loans than any bank of our size,” said President and CEO **Ryan Dempster**.

In each of the past two years, the bank with assets of \$400 million financed \$1.6 billion in mortgages. Of the bank’s 230 total employees, 176 work in its mortgage division.

“We capitalize on the benefits of working with a community bank and its high level of service,” said Dempster. “Customers appreciate the personal touch we offer.”

The bank acts a lot like a mortgage bank. When a customer needs a mortgage, the bank determines the loan rate based on the best available in the secondary mortgage market.

“It’s an advantage to our customers because we’re able to give them a competitive rate and the best product out there,” Dempster said.

The bank funds the loan and then later sells it to a secondary mortgage market investor, which also takes over the servicing.

The bank tries to close every transaction within 30 days but has been able to close some within only 10 days.

The bank opened a service center in October 2021. Its staff uses video chat technology to help loan customers open a bank account online.

▲ Willamette Valley Bank rolled out the red carpet when it held the grand opening for its new mortgage servicing center Oct. 30, 2021 in Meridian, Idaho.

“That’s not something we typically focused on in the past, but we see it as a tremendous opportunity, given the number of mortgage customers we have,” Dempster said.

The mortgage division has led to *American Banker* naming the bank’s parent company (Oregon Bancorp) #1 in performance among community banks and thrifts for three consecutive years.

## Advice For Others

Some of the bankers interviewed offered these tips about starting a niche division:

1. If you’re thinking about acquiring a subsidiary, make sure it’s a good cultural fit with your bank.
2. Ensure there is a trust level in place. Don’t impose your systems on a business you don’t completely understand.
3. Connect with your regulator early in the process so they’re comfortable with how you’ll manage the portfolio risk.
4. Establishing a niche division is a big undertaking. Don’t dabble in it. Go all in and commit to it.
5. Hire an expert who has industry experience, understands market dynamics and can possibly bring in vendor and/or client relationships. ■

*Independent communications consultant Tom Unger of Milwaukie, Ore., has created his own niche business: News Writing Pro, LLC. He provides business writing workshops and writing and editing services to a variety of clients.*